

Message Text

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PAGE 01 WELLIN 02338 202154Z

ACTION EB-07

INFO OCT-01 EA-09 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00

COME-00 EPG-02 DODE-00 FPC-01 H-02 INR-07 INT-05

L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15 OES-07

SP-02 SS-15 STR-04 TRSE-00 ACDA-10 FRB-01 XMB-04

OPIC-06 LAB-04 SIL-01 /129 W

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 3412

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E.O. 11652: N/A

TAGS: ECON, ENRG, NZ

SUBJECT: DRILLING AND RUMOURS CONTINUE IN OIL RESEARCH IN WATERS
SOUTH OF NEW ZEALAND

REF: 76 WELLINGTON 3937

1. THE MINISTER OF ENERGY RESOURCES (MR GAIR) HAS DENIED RECENT RUMOURS OF AN OIL STRIKE OFF SOUTHLAND (SOUTH ISLAND). IN REPLY TO A QUESTION FROM THE OPPOSITION LABOUR PARTY THAT SIGNIFICANT AMOUNTS OF CRUDE OIL HAD BEEN DISCOVERED BY AN AMERICAN FIRM IN THE GREAT SOUTH BASIN OFF THE BLUFF (SOUTH ISLAND) COAST, MR GAIR SAID NO OIL HAD BEEN DISCOVERED.

2. MR. GAIR IS REPORTED TO HAVE SAID SEISMIC INDICATIONS FROM THE AREA WERE ENCOURAGING ENOUGH FOR THE SEA HUNT GROUP (HUNT INTERNATIONAL PETROLEUM COMPANY WITH HEAD QUARTERS IN TEXAS) AND THE GNZ TO PRESS AHEAD WITH A DRILLING OPERATION.

3. SEPARATE REPORTS ON JUNE 20 STATED THAT NZ'S OFFSHORE OIL EXPLORATION PROGRAM HAS RESUMED WITH THE SUCCESSFUL SPUDDING IN BY THE PENROD 74 RIG OFF THEKAWAU 1 WELL, 240 KILOMETERS SOUTH OF BLUFF. REPORTEDLY, DRILLING STARTED
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PAGE 02 WELLIN 02338 202154Z

IMMEDIATELY IN THIS THE THIRD PROBE OF THE GREAT SOUTH BASIN WHERE PM MULDOON HAD OPTIMISTICALLY CLAIMED SOME WEEKS AGO THE GNZ BELIEVED THERE COULD BE A MAJOR OIL FIELD BASED ON INFORMATION AVAILABLE LAST SEPTEMBER.

4. THERE IS SPECULATION OVER A POSSIBLE CHANGE IN HUNT'S PROGRAM IN THE GREAT SOUTH BASIN. THERE IS BELIEVED TO BE A

POSSIBILITY OF AN IMMEDIATE DRILLING OF A WELL IN SHALLOW WATER NEAR CAMPBELL ISLAND AND AT KAWAU, FURTHER SOUTH THAN THE PRESENT SITE. NO DETAILS ARE AVAILABLE AS YET.

5. SEPARATE FROM, BUT IMPORTANT TO PETROLEUM EXPLORATION IN NEW ZEALAND WATERS, TREASURY OFFICIALS ARE UNDERSTOOD TO BE READY TO PRESENT TO REPRESENTATIVES OF HUNT INTERNATIONAL PETROLEUM COMPANY (SEE REFTTEL) THE NEW GNZ TAXATION PROPOSALS COVERING ANY OIL WHICH MIGHT BE PRODUCED HERE.

6. GNZ'S CURRENT OIL EXPLORATION POLICIES MAKE EXPLORATION COMPARATIVELY UNATTRACTIVE TO POSSIBLE INVESTORS. THE GOVERNMENT PARTICIPATION CONDITIONS ANNOUNCED IN AUGUST 1976 INCLUDE SUCH UNFAVOURABLE FEATURES AS NO GOVERNMENT CONTRIBUTION TO EXPLORATION COSTS, BUT IN THE CASE OF DISCOVERY, A ROYALTY OF 15 PERCENT WITH 51 PERCENT GOVERNMENT CONTROL WITH NO PROVISION FOR ARBITRATION AND NO COMPENSATION WHATSOEVER FOR THE RISK TAKEN BY THE DISCOVERER.

4. THE RECENT ANNUAL REPORT OF THE FRENCH OWNED AUSTRALIAN BASED PETROLEUM EXPLORATION COMPANY AQUITAINE (AUSTRALIA AND NEW ZEALAND) LIMITED, POINTED TO THESE UNFAVORABLE CONDITIONS FOR ITS DECISION TO WITHDRAW FOR THE TIME BEING FROM EXPLORATION. IT IS WAITING FOR THE NEW ANNOUNCEMENT ON THE GOVERNMENT POLICY. ACCORDING TO THE CHAIRMAN OF THE COMPANY, R N DENTON, THE COMPANY HAD ADVISED GNZ THAT IT COULD NOT APPLY FOR A NEW PROSPECTING UNCLASSIFIED

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PAGE 03 WELLIN 02338 202154Z

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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
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